

# Fundamentals of Wills, Trusts, and Powers of Attorney



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# Why Do You Need Estate Planning?

- Not just about taxes
- Not just about having a will and/or trust
- It's about making sure what you have goes:
  - To whom you want;
  - When you want; and
  - Exactly the way you want



# Do You Know...

- Who should inherit my assets?
- Which assets should they inherit?
- When and how should they inherit the assets?



# Consequences of Not Planning

- The consequences of not planning for the inevitable are considerable, especially if there are people:
  - You want to take care of, and
  - Would suffer more than just emotionally at your passing.



# Estate Planning Can Help



Address concerns about taxes.



Determine if a simple will and/or trust is enough.



Help make sure that what you have goes to whom you want on your timeline.



Be the most cost-effective and hassle-free way possible to take care of your loved ones in their time of need.



Help to name someone to make financial decisions for you through a Power of Attorney document.



Help complete advanced medical directives (e.g., living will or healthcare proxy/directive).

## Identify Probate vs. Non-Probate

# How Assets are Transferred at Death

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### Probate

Court process to...

- Determine validity of the will
- Appoint an executor or administrator
- Notify creditors and pay valid claims
- Distribute probate assets

### Non-Probate

Passing outside of probate

- Property passing by contract or beneficiary (other than to the estate)
- Life Insurance & Annuities
- Qualified Plans (Pension, 401(k), 457(b), Thrift Savings Plans, etc.) & IRAs
- Payable-on-death or Transfer-on-death accounts
- Property owned jointly with “Right of Survivorship,” or Trusts

# Why Do You Need a Will



# Important Legal Documents



## Durable Power of Attorney

- If you are incapacitated and unable to make financial decisions.
- Can save you time and money and provide a level of comfort that decisions will be made in your best interest.



## Healthcare Power of Attorney

- If you are incapacitated and unable to make health decisions.
- Again, can save you time and money and provide comfort

You choose the person who will make these decisions.



# Do I Need a Trust?

Trusts may be used to help:

- Provide asset management for your heirs.
- Avoid costs of a court-appointed trustee for minors.
- Keep the distribution of your estate assets private.
- Ensure that assets go to the people you intend.
- Keep life insurance proceeds outside your taxable estate and provide liquidity for estate taxes and related costs.



# Revocable Living Trust

## Revocable Living Trust May Provide:

- Avoidance of probate
- Asset management
- Distribution of assets after death
- Privacy
- Avoidance of probate in multiple states

## No Estate Tax Savings

Because assets held in a revocable living trust are still part of your taxable estate, there is no direct estate tax savings from a living trust.

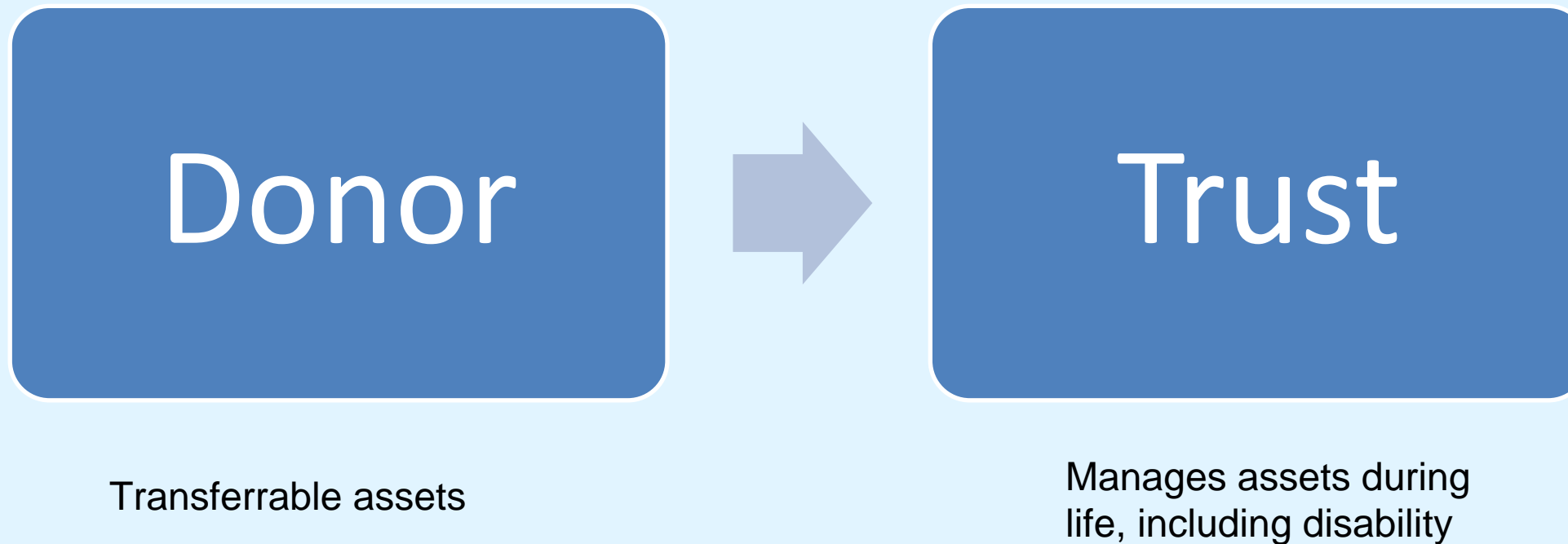
But with proper drafting by your attorney, a living trust can offer many of the same benefits as a will, including saving estate taxes.



## HOW IT WORKS

# Revocable Living Trust

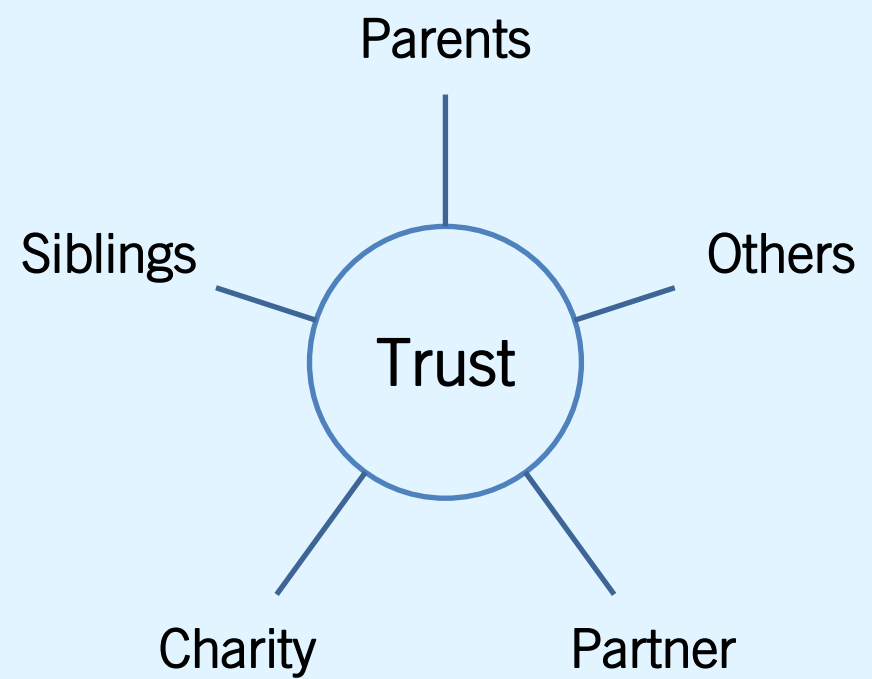
During Life:



HOW IT WORKS

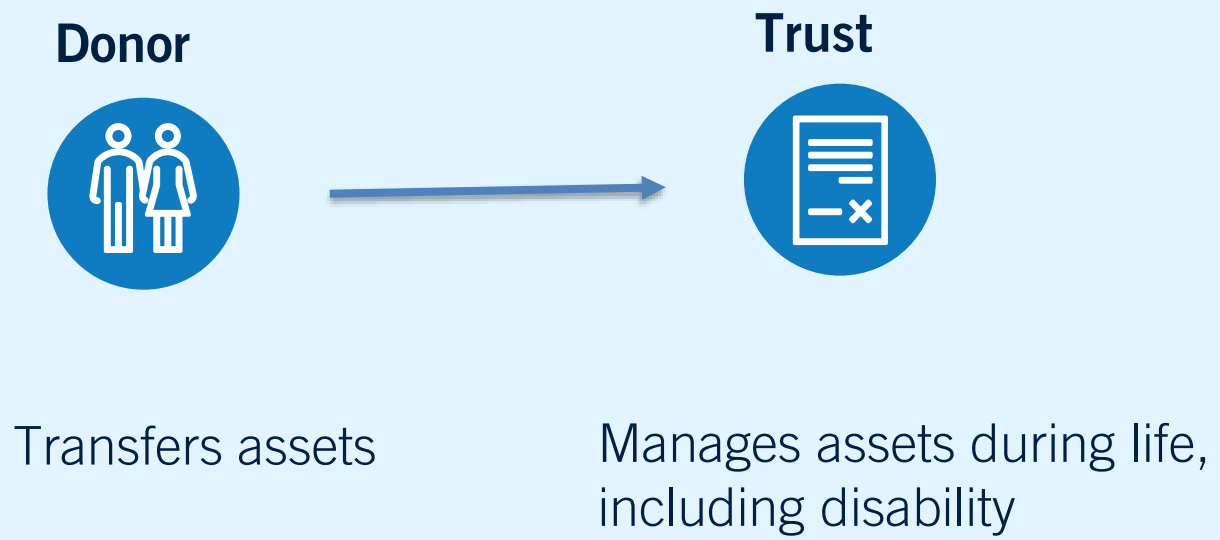
# Revocable Living Trust

Upon Death



Distributes assets in accordance with the terms of the trust

During Life





# Beneficiary Planning

- Life Insurance
- Retirement Plans





# Three Common Life Insurance Beneficiary Arrangements

- Individuals
- Trusts
- Charities





# Beneficiary Planning for Qualified Retirement Plans

- IRA
- SIMPLE IRA
- ROTH IRA
- SEP – IRA
- 401(k)
- 403(b)
- 457
- Keogh
- Thrift Savings Plan (TSP)







# Importance of Beneficiary Planning for Qualified Retirement Plans

- May be a significant asset at your death
- Coordination with overall estate plan
- Post death planning choices for “designated beneficiary”

## Did you know?...

An eligible designated beneficiary can receive minimum distributions over their life expectancy and continue to tax defer the earnings in your account.



# Non-Spouse Beneficiary

1

The SECURE Act ('Setting Every Community Up for Retirement Enhancement' Act) changed the rules for distributing assets from an inherited IRA upon the death of an IRA owner.

2

Many non-spouse beneficiaries who inherit IRA assets on or after January 1, 2020 will be required to withdraw the full balance of their inherited IRA or 401(k) within 10 years.\*

3

In some cases, it may make sense to disclaim inherited IRA assets because they could increase the total amount of your estate and exceed estate tax exemption limits.

\*The non-spouse beneficiary may be required to also take annual distributions if the IRA owner died after he/she started receiving distributions.





# Non-Spouse Beneficiary Distribution Options

- Transfer the assets to an inherited IRA and take required minimum distributions (RMDs)
- Disclaim (decline to inherit) all or part of the assets





# Beneficiary Choices & Consequences

- Multiple beneficiaries
- Charities as beneficiaries
- Estate as beneficiary
- Trusts as beneficiaries





# Beneficiary Planning Tips

Know the **rules**

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**Review** your current beneficiary designations

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**Educate** your beneficiaries

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**Coordinate** your estate plan

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Seek **Expert** advice

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# Questions?

# Thank You



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